PART IV

SECTION—1 B

KARNATAKA ACTS AND ORDINANCE

LAW AND PARLIAMENTARY AFFAIRS SECRETARIAT

Notification No. LAW. 80 LCA. 1975, Bangalore, dated, 20th September 1975.

Ordered that the Public Financial Institutions Laws (Amendment) Act, 1975 (52 of 1975) published in Part II, Section I of the Gazette of India Extraordinary dated 21st August 1975 be republished in the *Karnataka Gazette* for general information.

By Order and in the name of the Governor of Karnataka,

B. NAGESHA RAO,
Under Secretary to Government,
Department of Law and Parliamentary Affairs.

Assented to on 20th August; 1975. *Act No. 52 of 1975.*

THE PUBLIC FINANCIAL INSTITUTIONS LAWS (AMENDMENT) ACT, 1975.

AN

ACT

further to amend the Industrial Development Bank of India Act, 1964, the Reserve Bank of India Act, 1934, the Industrial Finance Corporation Act, 1948, the State Financial Corporations Act, 1951, the Life Insurance Corporation Act, 1956 and the Unit Trust of India Act, 1963.

BE it enacted by Parliament in the Twenty-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. *Short title and commencement.*—(1) This Act may be called the Public Financial Institutions Laws (Amendment) Act, 1975.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act; and references in any provision to the commencement of this Act shall be construed as references to the commencement of that provision.

CHAPTER II

AMENDMENTS TO THE INDUSTRIAL DEVELOPMENT BANK OF INDIA ACT, 1964.

2. *Amendment of the long title.*—In the Industrial Development Bank of Inida Act, 1964 (18 of 1964) (hereinafter in this Chapter referred to as the Development Bank Act), in the long title, after the words "Industrial Development Bank of India", the words "as the principal financial institution for co-ordinating, in conformity with national priorities, the working of institutions engaged in financing, promoting or developing industry, for assisting the development of such institutions" shall be inserted.

3. *Amendment of section 2.*—In section 2 of the Development Bank Act,—

(*a*) for clause (*c*), the following clause shall be substituted, namely:—

'(*c*) "industrial concern" means any concern engaged or to be engaged in,—

(i) the manufacture, preservation or processing of goods;

(ii) shipping;

(iii) mining;

(iv) the hotel industry;

(v) the transport of passengers or goods by road or by water or by air;

(vi) the generation or distribution of electricity or any other form of power;

(vii) the maintenance, repair, testing or servicing of machinery of any description or vehicles or vessels or motor boats or trailers or tractors;

(viii) assembling, repairing or packing any article with the aid of machinery or power;

(ix) the development of any contiguous area of land as an industrial estate;

(x) fishing or providing shore facilities for fishing or maintenance thereof;

(xi) providing special or technical knowledge or other services for the promotion of industrial growth; or

(xii) the research and development of any process or product in relation to any of the matters aforesaid.

Explanation.—The expression "processing of goods" includes any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation.';

(*b*) after clause (*d*), the following clause shall be inserted, namely:—

'(*da*) "nationalised bank" means a corresponding new bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970);';

(*c*) after clause (g), the following clauses shall be inserted, namely:—

'(*ga*) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 (23 of 1955);

(*gb*) "subsidiary bank" has the meaning assigned to it in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959);';

(*d*) after clause (i), the following clause shall be inserted, namely:—

'(*j*) "Unit Trust" means the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963 (52 of 1963).';

4. *Amendment of section* 3.—In section 3 of the Development Bank Act, in sub-section (3), for the words "Reserve Bank", the words "Central Government" shall be substituted.

5. *Substitution of new sections for section* 4.—In the Development Bank Act, for section 4, the following sections shall be substituted, namely:—

'4. *Authorised capital.*—The authorised capital of the Development Bank shall be one hundred crores of rupees :

Provided that the Central Government may, by notification in the Official Gazette, increase the said capital up to two hundred crores of rupees.

4A. *Transfer of capital to Central Government.*—(1) The issued capital of the Development Bank which has been subscribed by the Reserve Bank as on the date immediately preceding the commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975 (hereinafter referred to as the "appointed day"), shall, on such commencement, stand transferred to, and vested in, the Central Government.

(2) Any further issue of capital made by the Development Bank after the appointed day shall be wholly subscribed by the Central Government.

4B. *Payment of amount.*—The Reserve Bank shall be given by the Central Government, in cash, for the transfer to, and vesting in, the Central Government of the issued capital of the Development Bank which has been subscribed by the Reserve Bank, an amount equal to the face value of the said subscribed capital.'.

6. *Amendment of section* 5.—In section 5 of the Development Bank Act,—

(*a*) for sub-section (2), the folloiwng sub-section shall be substituted, namely :—

"(2) Save as otherwise provided in regulations made under this Act,—

(*a*) the chairman, if he is a whole-time director or if he is holding offices both as the chairman and the managing director, or

(*b*) the managing director, if the chairman is not a whole-time director, or if the chairman being a whole-time director, is absent,

shall also have powers of general superintendence, direction and management of the affairs and business of the Development Bank and may also exercise all powers and do all acts and things which may be exercised or done by the Development Bank.";

(*b*) after sub-section (3), the following sub-section shall be inserted, namely :—

"(4) In the discharge of its functions under this Act, the Development Bank shall be guided by such directions in matters of policy involving public interest as the Central Government may give to it in writing."

7. *Substitution of new section for section* 6.—For section 6 of the Development Bank Act, the following section shall be substituted, namely :—

"6. *Constitution of Board.*—(1) The Board shall consist of the following, namely :—

(*a*) a chairman and a managing director appointed by the Central Government :

Provided that the same person may be appointed to function both as chairman and as managing director ;

(*b*) a Deputy Governor of the Reserve Bank nominated by that Bank ;

(*c*) not more than twenty directors nominated by the Central Government of whom—

(i) two directors shall be officials of the Central Government ;

(ii) not more than five directors shall be from financial institutions ;

(iii) two directors shall be from amongst the employees of the Development Bank and the financial institutions, and of such directors, one shall be from amongst the officer employees and the other from amongst the workmen employees, selected in such manner as may be prescribed ;

(iv) not more than six directors shall be from the State Bank, the nationalised banks and the State Financial Corporations ;

(v) not less than five directors shall be persons who have special knowledge of, and professional experience in, science, technology, economics, industry, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, and professional experience in, which would, in the opinion of the Central Government, be useful to the Development Bank.

(2) The chairman and the managing director shall hold office for such term not exceeding five years as the Central Government may specify in this behalf and any person so appointed shall be eligible for re-appointment.

(3) The chairman and the managing director shall receive such salary and allowances as may be determined by the Central Government.

(4) A nominated director shall hold office during the pleasure of the authority nominating him.

(5) The Board shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

(6) The chairman or, if for any reason he is unable to attend a meeting of the Board, the managing director or, in the event of both the chairman and the managing director being unable to attend a meeting, any other director nominated by the chairman in this behalf and in the absence of such nomination any director elected by the directors present from among themselves, shall preside at the meeting.

(7) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the chairman, or in his absence, the managing director, or in the absence of both the chairman and the managing director, the person presiding, shall have a second or casting vote.

(8) Save as provided in sub-section (7), every director of the Board shall have one vote.".

8. *Insertion of new section* 6A.—In the Development Bank Act, after section 6, the following section shall be inserted, namely:—

"6A. *Financial institution.*—Each of the institutions specified in this section, and no other institution, shall be regarded, for the purposes of this Chapter, as a financial institution, namely:—

(i) the Industrial Credit and Investment Corporation of India Limited, formed and registered under the Indian Companies Act, 1913 (7 of 1913);

(ii) the Industrial Finance Corporation of India, established under section 3 of the Industrial Finance Corporation Act, 1948 (15 of 1948);

(iii) the Industrial Reconstruction Corporation of India Limited, formed and registered under the Companies Act, 1956 (1 of 1956);

(iv) the Life Insurance Corporation of India, established under section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956);

(v) the Unit Trust; and

(vi) such other institution as the Central Government may, by notification in the Official Gazette, specify in this behalf.".

9. *Amendment of section* 7.—In section 7 of the Development Bank Act, for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The Board shall constitute an Executive Committee consisting of:—

(a) the chairman;

(*b*) the managing director ;

(*c*) the director nominated by the Reserve Bank under clause (*b*) of sub-section (1) of section 6 ;

(*d*) eight of the directors nominated by the Central Government of whom—

(*i*) two shall be directors nominated under sub-section (i) of clause (c) of sub-section (1) of section 6 ; and

(*ii*) six shall be directors nominated under sub-clause (*ii*) or sub-clause (*v*) of clause (*c*) of sub-section (1) of section 6.".

10. *Amendment of section* 8.—In section 8 of the Development Bank Act, for the proviso, the following proviso shall be substituted, namely :—

"Provided that no fees shall be payable to the chairman, if he is appointed whole-time, or to the managing director or to any other director or member who is an official of the Government, or to a Deputy Governor of the Reserve Bank or to any official of the Development Bank.".

11. *Amendment of section* 9.—In section 9 of the Development Bank Act, in sub-section (1),—

(a) for the words "The Development Bank may", the words "The Development Bank shall function as the principal financial institution for co-ordinating the working of institutions engaged in financing, promoting or developing industry and for assisting the development of such institutions in such manner as it may deem appropriate and may" shall be substituted ;

(*b*) in clause (*a*), the brackets and words "(including concerns engaged or to be engaged in the development of any contiguous area of land as an industrial estate)", wherever they occur, shall be omitted;

(*c*) in clause (*kα*), in sub-clause (*ii*), for the words "on the recommendation of", the words "in consultation with" shall be substituted ;

(*d*) in clause (*m*), the words, "on the recommendation of the Reserve Bank." shall be omitted.

12. *Amendment of section* 16.—In section 16 of the Development Bank Act, after sub-section (1), the following sub-section shall be inserted, namely:—

" (1A) Where the Development Bank considers it necessary or desirable so to do, it may, subject to the provisions of sub-sections (2) and (3), disburse or spend from the Development Assistance Fund any amount for one or more of the purposes specified in clause (*l*) or clause (*m*) of sub-section (1) of section 9.".

13. *Amendment of section* 18.—In section 18 of the Development Bank Act, —

(*a*) in sub-section (3), for the words "Reserve Bank", the words "Central Government" shall be substituted ;

(*b*) in sub-section (5),—

(*i*) the words "and the Reserve Bank" shall be omitted ;

(*ii*) for the words "the Development Bank shall cause to be published in the Official Gazette copies of the said balance-sheet, accounts and reports", the words "the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament" shall be substituted.

14. *Amendment of Section* 22.—In section 22 of the Development Bank Act, in sub-section (2), for the words "Reserve Bank", the words "Central Government" shall be substituted.

15. *Amendment of section* 23.—In section 23 of the Development Bank Act,—

(a) for the words "Reserve Bank", wherever they occur. the words "Central Government" shall be substituted ;

(*b*) in sub-section (5), for the words "the Development Bank shall cause to be published in the Official Gazette copies of of the said balance-sheet, accounts and reports", the words "the Central Government shall, as soon as may be after they are received by it, cause the same to be laid before each House of Parliament" shall be substituted.

16. *Amendment of section* 26.—In section 26 of the Development Bank Act, after sub-section (2), the following sub-sections shall be inserted, namely :—

"(3) Every member of the staff—

(*a*) whose services are being, immediately before the appointed day, utilised by the Development Bank under sub-section (2), or

(*b*) whose services, having been made available to the Development Bank, stand immediately before the appointed day, deputed by that Bank to any other organsiation,

shall, on and from the appointed day, be deemed to be appointed by the Development Bank under sub-section (1) on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the appointed day

Provided that every member of the staff aforesaid other than those recruited specifically for utilisation in the Development Bank, may, before the expiry of a period of eighteen months from the appointed day, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of thirty months from the appointed day, take back such member of the staff and on such member being taken back by the Reserve Bank, he shall become a member of the staff of the Reserve Bank and shall cease to be a member of the staff of the Development Bank.

(4) If on the appointed day or at any time thereafter any of the functions of the Reserve Bank is transferred to the Development Bank, it shall be lawful for the Development Bank to appoint, with the previous approval of the Reserve Bank, such of the members of the staff of the Reserve Bank whose services were, immediately before the transfer aforesaid, being utilised by the Reserve Bank in connection with any of the said functions, and every member of the staff so appointed shall be released by the Reserve Bank and be deemed to be appointed by the Development Bank under sub-section (1) on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the date of his appointment :

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the appointed day, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of thirty months from the appointed day, take back such member of the staff and on such member being taken back by the Reserve Bank he shall become a member of the staff of the Reserve Bank and shall cease to be a member of the staff of the Development Bank.

(5) Notwithstanding anything contained elsewhere in this Act or in any other law or in any contract, for the time being in force, for a temporary period, not being a period exceeding eighteen months from the appointed day or the date notified under section 4A of the Unit Trust of India Act, 1963 (52 of 1963) whichever is earlier, if the Reserve Bank in consultation with the Development Bank or the Unit Trust considers it necessary in the interest of any of the said institutions to promote any member of the staff of any of the said institutions to a post in either of the other two institutions, it shall be lawful, for the Reserve Bank to transfer on promotion any such member of staff to that other institution and on such transfer each such member of the staff shall be deemed to be a member of the staff of the other institution to which he is so transferred and shall be entitled to the same salary, emoluments and other conditions of service to which he was entitled immediately before the date of such transfer, including benefits, if any, arising directly out of such promotion :

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the appointed day or the date notified under section 4A of the Unit Trust of India Act, 1963 (52 of 1963), whichever is earlier, elect to go back to the institution from which he was so transferred by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, that institution shall, before the expiration of a period of thirty

months from the appointed day or the date notified under section 4A of the Unit Trust of India Act, 1963 (52 of 1963), whichever is earlier, take back such member of the staff and on such member being taken back by that institution, he shall become a member of its staff and shall cease to be a member of the staff of the institution to which he was earlier transferred.

(6) Notwithstanding anything contained in any other law or in any agreement, for the time being in force, no member of the staff shall be entitled to claim any compensation for, or in relation to any matter concerning, his transfer, appointment, or as the case may be, return, under sub-sections (3) to (5) and no claim in respect thereof shall be entertained by any court, tribunal or other authority.".

17. *Amendment of section* 29.—In section 29 of the Development Bank Act, after sub-section (1), the following sub-section shall be inserted, namely:—

'(1A) The Development Bank may, for the purpose of the efficient discharge of its functions under this Act, collect from or furnish to the Central Government, the State Bank, any subsidiary bank, nationalised bank or other scheduled bank, State Co-operative Bank, State Financial Corporation or such other financial institution, as may be notified by the Central Government in this behalf, credit information or other information as it may consider useful for the purpose, in such manner and at such times, as it may think fit.

Explanation.—For the purpose of this sub-section, the expression "credit information" shall have the same meaning as in clause (c) of section 45A of the Reserve Bank of India Act, 1934 (2 of 1934), subject to the modification that "banking company" referred to therein shall mean the State Bank, any subsidiary bank, nationalised bank or other scheduled bank, State Co-operative Bank, State Financial Corporation or other financial institution as aforesaid.'.

18. *Amendment of section* 37.—In section 37 of the Development Bank Act,—

(*a*) in sub-section (1), for the words "Reserve Bank", the words "Central Government" shall be substituted;

(*b*) in sub-section (2), in clause (b), the words "constitution and" shall be omitted.

19. *Insertion of new section* 39.—After section 38 of the Development Bank Act, the following section shall be inserted, namely:—

"39. *Power to remove difficulty.*—If any difficulty arises in giving effect to the provisions of this Act, as amended by the Public Financial Institutions Laws (Amendment) Act, 1975, the Central Government may, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty:

Provided that no such order shall be made after the expiration of three years from the date of commencement of the said Amendment Act."

CHAPTER III

Amendment to the Reserve Bank of India Act, 1934

20. *Amendment of section* 54AA.—In the Reserve Bank of India Act, 1934 (2 of 1934), in section 54AA, for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The Bank may, notwithstanding anything contained in any law, or in any agreement, for the time being in force, depute any member of its staff for such period as it may think fit,—

(*a*) to any institution which is wholly or substantially owned by the Bank;

(*b*) to the Development Bank, so, however, that no such deputation shall continue after the expiration of thirty months from the commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975;

(c) to the Unit Trust, so, however, that no such deputation shall continue after the expiration of thirty months from the date notified by the Central Government under sub-section (1) of section 4A of the Unit Trust of India Act, 1963 (52 of 1963).

and thereupon the person so deputed shall, during the period of his deputation, render such service to the institution to which he is so deputed as that institution may require.".

CHAPTER IV

Extension of the Industrial Finance Corporation Act, 1948 to Kohima and Mokokchung Districts

21. *Extension of Act 15 of 1948 to Kohima and Mokokchung districts in Nagaland.*—The Industrial Finance Corporation Act, 1948, shall, as from the commencement of the Public Financial Institutions Laws (Amendment) Act, 1975, extend to the Kohima and Mokokchung districts in the State of Nagaland and shall come into force therein on such date as the Central Government may, by notification in the Official Gazette, appoint.

CHAPTER V

Amendment to the Industrial Finance Corporation Act, 1948.

22. *Amendment of section* 10A.—In section 10A of the Industrial Finance Corporation Act, 1948 (15 of 1948) (hereinafter in this Chapter referred to as the Industrial Finance Corporation Act), in sub-section (2), for the words "three years", the words "four years" shall be substituted.

23. *Amendment of section* 42.—In section 42 of the Industrial Finance Corporation Act,—

(i) in sub-section (1), for "The Central Government may, in consultation with the Development Bank", substitute "the Central Government may, in consultation with the Development Bank and by notification in the Official Gazette,";

(ii) in sub-section (2), for "two successive sessions, and, if, before the expiry of the session in which it is so laid or the session immediately following," substitute "two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid.".

CHAPTER VI

AMENDMENTS TO THE STATE FINANCIAL CORPORATIONS ACT, 1951

24. *Amendment of section* 3A.—In the State Financial Corporations Act, 1951 (63 of 1951) (hereinafter in this Chapter referred to as the State Financial Corporations Act), in sub-section (1) of section 3A, for the words "Reserve Bank" the words "Development Bank" shall be substituted.

25. *Amendment of section* 4.—In section 4 of the State Financial Corporations Act, in sub-section (1), for the words "five crores", the words "ten crores" shall be substituted.

26. *Amendment of section* 4A.—In section 4A of the State Financial Corporations Act,—

(*a*) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The State Government may, in consultation with the Development Bank, specify from time to time such part of the unissued capital of the Financial Corporation as shall be allocated for the issue of a special class of shares.";

(*b*) in sub-sections (2) and (3), for the words "Reserve Bank", wherever they occur, the words "Development Bank" shall be substituted.

27. *Insertion of new sections* 4B *and* 4C.—After section 4A of the State Financial Corporations Act, the following sections shall be inserted, namely:—

"4B. *Transfer of share capital to Development Bank.*—On such date as the Central Government may, by notification in the Official Gazette, specify (hereinafter referred

to as the specified date), all the shares of every Financial Corporation subscribed by the Reserve Bank as on the date immediately preceding the specified date, shall, stand transferred to, and vested in, the Development Bank:

4.C. *Payment of amount.*—The Reserve Bank shall be given by the Development Bank, in cash, for the transfer to, and vesting in, the Development Bank of the shares of every Financial Corporation which have been subscribed by the Reserve Bank, an amount equal to the face value of the shares of the Financial Corporation so subscribed.".

28. *Amendment of section* 5—In section 5 of the State Financial Corporations Act, after the words "the Reserve Bank", the words " the Development Bank " shall be inserted.

29. *Amendment of section* 7.—In section 7 of the State Financial Corporations Act,—

(a) in sub-section (1), after the words " in consultation with ", the words " the Development Bank and " shall be inserted;

(b) after sub section (2), the following sub-section shall be inserted, namely:—

" (2A) No money shall be borrowed by the Financial Corporation from the Reserve Bank under sub-section (2), except with the previous approval of the Development Bank.":

(c) in sub-section (3), after the words " in consultation with ", the words " the Development Bank and " shall be inserted;

(d) in sub-section (4), for words " Reserve Bank ", the words "Development Bank " shall be substituted.

30. *Amendment of section* 8.—In section 8 of the State Financial Corporations Act, in sub-section (1), for the words " the State Government and the Reserve Bank ", the words " the State Government, the Development Bank and the Reserve Bank " shall be substituted.

31. *Amendment of section* 10.—In section 10 of the State Financial Corporations Act,—

(*a*) in clause (*a*),—

(*i*) for the word " three ", the word " four " shall be substituted ;

(*ii*) after the words " by the State Government ", the words " of whom one director shall be a person who has special knowledge of or experience in small-scale industries " shall be

(*iii*) after the proviso, the following further proviso shall be inserted namely :—

" Provided further that in the case of a Joint Financial Corporation, the director, who shall have special knowledge of, or experience in, small-scale indusries, shall be nominated by that participating State which, according to the terms of agreement between the participating States, is entitled to make such nomination." ;

(*b*) in clause (*c*), for the words " one director ", the words " two directors " shall be substituted ;

(*c*) in clause (*f*), for the words " Reserve Bank ", the words " Development Bank " shall be substituted.

32. *Amendment of section* 17.—In section 17 of the State Financial Corporations Act, in sub-section (1), in the proviso to clause (a), after the words " State Government ", the words " or the Development Bank" shall be inserted.

33. *Amendmest of section* 18.—In section 18 of the State Financial Corporations Act, in sub-section (1), in clause (*a*),—

(*a*) for the words "two directors elected by the nominated directors, one from among the directors nominated by the State Government, and one", the words "four directors elected by the nominated directors, of whom two shall be from among the directors nominated by the State Government and two" shall be substituted;

(*b*) in the proviso, for the words "one director elected", the words "two directors elected" shall be substituted.

34. *Amendment of section* 23.—In section 23 of the State Financial Corporations Act, in the proviso, for the words "Reserve Bank", the words "Development Bank" shall be substituted.

35. *Amendment of section* 25.—In section 25 of the State Financial Corporations Act, in sub section (1), in clause (*f*), and in sub-section (3), for the words "Reserve Bank" wherever they occur, the words "Development Bank" shall be substituted.

36. *Amendment of section* 35A.—In section 35A of the State Financial Corporations Act, in sub section (1), after the proviso, the following further proviso shall be inserted, namely :—

'Provided further that after the specified date this sub-section shall have effect as if for the words "the State Government, the Reserve Bank and the Development Bank ", the words "the State Government and the Development Bank" have been substituted except as regards all dividends accruing in respect of any completed accounting period prior to the specified date.'.

37. *Amendment of sections* 37A, 39, 46A *and* 48.—In the State Financial Corporations Act, in sections 37A, 39, 46A and 48, for the words " Reserve Bank ", wherever they occur, the words "Development Bank" shall be substituted.

48. *Amendment of section* 38.—In the State Financial Corporations Act, in section 38.—

(*a*) for the words to "the State Government and to the Reserve Bank", wherever they occur, the words "to the State Government, the Development Bank and the Reserve Bank" shall be substituted ;

(b) in sub-section (2) as so amended, for the words "the State Government or the Reserve Bank" the words "the State Government or the Development Bank or the Reserve Bank" shall be substituted.

39. *Insertion of new section* 49.—After section 48 of the State Financial Corporations Act, the following section shall be inserted, namely:—

"49. *Power to remove difficulty.*—If any difficulty arises in giving effect to the provisions of this Act, as amended by the

Public Financial Institutions Laws (Amendment) Act, 1975, the Central Government may, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty :

Provided that no such order shall be made after the expiration of three years from the commencement of the said Amendment Act.".

CHAPTER VII

Amendments to the Life Insurance Corporation Act, 1956

40. *Amendment of section* 4.—In the Life Insurance Corporation Act, 1956 (31 of 1956) (hereinafter referred to as the Life Insurance Act), in section 4, in sub-section (1), for the word "fifteen", the word "sixteen" shall be substituted.

41. *Insertion of new section* 6A.—After section 6 of the Life Insurance Act, the following section shall be inserted, namely :—

"6A. *Power to impose conditions, etc.*—(1) In entering into any arrangement, under section 6, with any concern, the Corporation may impose such conditions as it may think necessary or expedient for protecting the interest of the Corporation and for securing that the accommodation granted by it is put to the best use by the concern.

(2) Where any arrangement entered into by the Corporation under section 6 with any concern provides for the appointment by the Corporation of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956, (1 of 1956) or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share qualification, age limit, number of director-ships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Corporation in pursuance of the arrangement as aforesaid.

(3) Any director appointed as aforesaid shall—

(*a*) hold office during the pleasure of the Corporation and may be removed or substituted by any person by order in writing by the Corporation ;

(*b*) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto ;

(*c*) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.".

42. *Amendment of section* 19.—In section 19 of the Life Insurance Act, in sub-section (2), for the words "seven members of whom not less than three", the words "eight members of whom not less than four" shall be substituted.

43. *Amendment of section* 48.—In section 48 of the Life Insurance Act, for sub-section (3), the following sub-section shall be substituted, namely :—

'(3) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.'.

CHAPTER VIII

Amendments to the Unit Trust of India Act, 1963

44. *Amendment of section* 2.—In section 2 of the Unit Trust of India Act, 1963 (52 of 1963) (hereinafter referred to as the Unit Trust Act), clause (*cc*) shall be re-lettered as clause (*cb*) and before clause (*cb*) as so re-lettered, the following clause shall be inserted, namely :—

'(*ca*) "Development Bank" means the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964) ;'.

45. *Amendment of section* 3.—In section 3 of the Unit Trust Act, in sub-section (2), for the words "Reserve Bank", the words "Development Bank" shall be substituted.

46. *Insertion of new sections* 4A *and* 4B.—After section 4 of the Unit Trust Act, the following sections shall be inserted, namely :—

"4A. *Transfer of initial capital to Development Bank.*—On such date as the Central Government may, by notification in the Official Gazette, appoint (hereinafter referred to as the notified date), all the contributions made by the Reserve Bank to the initial capital of the Trust, as on the date immediately preceding the notified date, shall, stand transferred to, and vested in, the Development Bank.

4B. *Payment of amount.*—The Reserve Bank shall be given by the Development Bank, in cash, for the transfer to, and vesting in, the Development Bank of the contributions made to the initial capital of the Trust by the Reserve Bank, an amount equal to the contributions to the initial capital so transferred.".

47. *Amendment of section* 10.—In section 10 of the Unit Trust Act,—

(*a*) in clause (*a*), for the words "Reserve Bank", the words "Central Government in consultation with the Development Bank" shall be substituted ;

(*b*) after clause (*a*), the following clause shall be inserted, namely :—

"(*aa*) one trustee to be nominated by the Reserve Bank;";

(*c*) in clauses (*b*) and (*f*), for the words "Reserve Bank" wherever hey occur, the words "Development Bank" shall be substituted.

48. *Insertion of new section* 10A.—After section 10 of the Unit Trust Act, the following section shall be inserted, namely :—

"10A. *Transitional provision for continuance of Chairman and certain trustees of the Board.*—Every person holding office,

immediately before the notified date, as Chairman under clause (*a*) of section 10 or as trustee, not being an officer of the Reserve Bank, nominated under clause (*b*) of that section or as executive trustee appointed under clause (*f*) thereof shall, notwithstanding the amendment of this Act by the Public Financial Institutions Laws (Amendment) Act, 1975, continue, subject to the same conditions, to hold office for the unexpired portion of his term.".

49. *Amendment of section* 11.—In section 11 of the Unit Trust Act, in sub-sections (1) and (2), after the words "Reserve Bank" wherever they occur, the words "or the Development Bank" shall be inserted and in sub-section (1) as so amended, before the words, brackets and letter "under clause (*b*)", the words, brackets and letters "under clause (*aa*) or" shall be inserted.

50. *Amendment of section* 12.—In section 12 of the Unit Trust Act, in clause (*d*), for the words "Reserve Bank" the words "Development Bank" shall be sustituted.

51. *Amendment of section* 13.—In secion 13 of the Unit Trust Act, after the words "of the Reserve Bank" at the two places where they occur, the words "or of the Development Bank" shall be inserted.

52. *Amendment of sections* 14, 15, 18, 25, 27, 30, 41 *and* 43.—In the Unit Trust Act, in sections 14, 15, 18, 25, 27, 30, 41 and sub-section (1) of section 43, for the words "Reserve Bank" wherever they occur, the words "Development Bank" shall be substituted.

53. *Insertion of new section* 19A.—After section 19 of the Unit Trust Act, the following section shall be inserted, namely :—

"19A. *Power to impose conditions, etc.*—(1) In entering into any arrangement, under section 19, with any concern, the Trust may impose such conditions as it may think necessary or expedient for protecting the interest of the Trust and for securing that the accommodation granted by it is put to the best use by the industrial concern.

(2) Where any arrangement entered into by the Trust under section 19 with any concern provides for the appointment by the Trust of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956) or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to the concern, and any provision regarding share qualification, age limit, number of director-ships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the Trust in pursuance of the arrangement as aforesaid.

(3) Any director appointed as aforesaid shall,—

(*a*) hold office during the pleasure of the Trust and may be removed or substituted by any person by order in writing by the Trust;

(*b*) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(*c*) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.".

54. *Amendment of section* 20A.—In section 20A of the Unit Trust Act,—

(*a*) for the words "The Reserve Bank may", the words "The Reserve Bank or the Development Bank may" shall be substituted;

(b) for the words 'payable to the Reserve Bank", the words "payable to the Reserve Bank or, as the case may be, the Development Bank" shall be substituted.

55. *Substitution of new section for section* 29.—In the Unit Trust Act, for section 29, the following section shall be substituted, namely:—

"29. *Furnishing of information.*—The Reserve Bank or the Development Bank may, from time to time, call upon the Trust to furnish such information as either of the said banks may require, and the Trust shall be bound to furnish the same.".

36. *Amendment of section* 31.—In section 31 of the Unit Trust Act, after sub-section (2), the following sub-sections shall be inserted, namely :—

"(3) Every member of the staff of the Reserve Bank,—

(*a*) whose services are being, immediately before the notified date, utilised by the Trust under sub-section (2) or

(b) whose services, having been made available to the Trust, stand , immediately before the notified date, deputed by the Trust to any other organisation,

shall, on and from the notified date, be deemed to be appointed by the Trust under sub-section (1) on the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the notified date :

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the notified date, elect to go back to the Reserve Bank by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, the Reserve Bank shall, before the expiration of a period of thirty months from the notified date, take back such member of the staff and on such member being taken back by the Reserve Bank, he shall become a member of the staff of the Reserve Bank and shall cease to be a member of the staff of the Trust.

(4) Notwithstanding anything contained elsewhere in this Act or in any other law or in any contract, for the time being in force, for a temporary period, not being a period exceeding eighteen months from the notified date or the date of commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975, whichever is earlier, if the Reserve Bank, in consultation with the Trust or the Development Bank, considers it necessary in the interests of the said institutions, to promote any member of the staff of any of the said institu-

tions to a post in either of the other two institutions, it shall be lawful for the Reserve Bank to transfer on promotion any such member of the staff to that other institution, and on such transfer each such member of the staff shall be deemed to be a member of the staff of the institution to which he is so transferred and shall be entitled to the same salary, emoluments and other terms and conditions of service to which he was entitled immediately before the date of such transfer including benefits, if any, arising directly out of such promotion :

Provided that every member of the staff aforesaid may, before the expiry of a period of eighteen months from the notified date or the date of commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975, whichever is earlier, elect to go back to the institution from which he was so transferred by exercising an option in writing to that effect, the option once exercised being final, and on the exercise of such option, that institution shall, before the expiration of a period of thirty months from the notified date or the date of commencement of section 5 of the Public Financial Institutions Laws (Amendment) Act, 1975, whichever is earlier, take back such member of the staff and on such member being taken back by that institution, he shall become a member of its staff and shall cease to be a member of the staff of the institution to which he was earlier transferred.

(5) Notwithstanding anything contained in any other law or in any agreement, for the time being in force, no member of the staff shall be entitled to claim any compensation for, or in relation to, any matter concerning, his transfer, appointment or, as the case may be, return, under sub-sections (3) and (4), and no claim in respect thereof, shall be entertained by any court, tribunal or other authority.".

57. *Amendment of section 37.*—In section 37 of the Unit Trust Act, for the words "the Reserve Bank" at the two places where they occur, the words "the Reserve Bank or the Development Bank" shall be substituted.

58. *Insertion of new section 45.*—After section 44 of the Unit Trust Act, the following section shall be inserted, namely:—

"45. *Power to remove difficulty.*—If any difficulty arises in giving effect to the provisions of this Act, as amended by the Public Financial Institutions Laws (Amendment) Act, 1975, the Central Government may, by order, do anything, not inconsistent with such provisions, for the purpose of removing the difficulty :

Provided that no such order shall be made after the expiration of three years from the date of commencement of the said Amendment Act.".

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